

DIRECTIVE

WELFARE-TO-WORK

Number: WD01-8

Date: September 10, 2001
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TO: WELFARE-TO-WORK COMMUNITY

SUBJECT: PROGRAM INCOME

EXECUTIVE SUMMARY:

Purpose:

This directive provides guidance on the federal requirements regarding Welfare-to-Work (WtW) program income.

Scope:

This directive requires that entities receiving WtW grant funds, including Local Workforce Investment Areas (LWIA), their subrecipients, 15 Percent subgrantees and their subgrantees, comply with federal regulations regarding program income.

Effective Date:

This directive is effective upon release.

REFERENCES:

- Title 20 Code of Federal Regulations (CFR) Sections 645.230(a)(5) and (6)
- Title 29 CFR Sections 95.2(bb), 95.22(k), 95.24, 97.21(i), and 97.25
- Office of Management and Budget (OMB) Circulars A-102 and A-110
- WtW Directive WD99-11, Subject: Cash Management for 15 Percent Grantees (November 15, 1999)

STATE-IMPOSED REQUIREMENTS:

This directive contains only federal requirements.

FILING INSTRUCTIONS:

This directive supersedes WD00-2, and finalizes Draft Directive WDD-21, issued for comment on June 14, 2001. Retain this directive until further notice.

BACKGROUND:

Title 20 CFR Sections 645.230(a)(5) and (6) provide guidance regarding program income. The addition method is required for the use of all program income earned under WtW grants. The cost of generating program income shall be subtracted from the amount earned to establish the amount of program income available for use under the grant. This section specifically states that excess revenue over costs incurred for services provided by a governmental or nonprofit entity must be included in program income earned. Under OMB circulars A-102 and A-110, and Title 29 CFR Sections 95.22(k) and 97.21(i), interest is not program income and must be returned, less the allowable amount for administrative purposes. Guidance regarding the process for returning the interest is contained in WtW Directive WD99-11, Cash Management for 15 Percent Grantees.

POLICY AND PROCEDURES:

Definitions:

Program income means gross income earned by the recipient, subrecipient, that is directly generated by a supported activity or as a result of the award. Program income includes, but is not limited to, income from fees for services performed, the use or rental of personal property acquired under federally funded projects, the sale of commodities or items fabricated under an award, and license fees and royalties on patents and copyrights. Interest earned on advances of federal funds is not program income. Except as otherwise provided in federal awarding agency regulations or terms and conditions of the award, program income does not include the receipt of rebates, credits, discounts, etc., or interest earned on any of them.

Subrecipient, for this directive, means LWIAs, their successor entities, their subrecipients, subgrantees, and lower-tier subgrantees.

Policy:

Under the addition method, the subrecipient tracks the program income generated, subtracting the cost of generating the income. The resulting net program income is added to the WtW allocation, grant, or contract award. If the costs for generating program income were charged to the program, the gross income is added to the program. However, the actual program income must be determined regardless of the method for charging the costs of generating the income.

The program income available for program activities is not formally amended into the contract amount. Net program income is reported separately to the State and by the State to the Department of Labor. At the end of the contract, any unexpended funds are treated as a reduction in federal expenditures and the excess federal funds are returned at that time. The excess is returned to the federal government via the subrecipient and the State.

Program income generated during the life of a specific allocation must be expended before the end of the availability of the funds. Any unexpended funds must be returned. Program income generated from WtW equipment, or other WtW assets, after the funding period of the funds that paid for the equipment, is reported on an open year and must be spent prior to the end of the availability of those funds. Program income earned after the end of the WtW program may be retained by the entity that earned the income.

For the following example, funds are available for two years and the subrecipient does not closeout prior to the end of the second year. An example of ongoing program income and its reporting and expenditure requirements is the purchase of a copier with a five-year life. In Program Year (PY) 1, a local area purchases a copier with 100 percent WtW PY 1 funds. Partners pay \$100 in use fees during PY 1 and pay \$250 during PY 2. The total, \$350, must be reported as income on the PY 1 reports and must be expended prior to the end of the life of the PY 1 funds which is the end of PY 2. Partners pay \$200 in PY 3 for use of the copier. During PY 3, both PY 2 and PY 3 funds are available. The local area may report the \$200 in PY 2 or PY 3 and must be expended before the expiration of the availability of the funds. If reported on PY 2's fiscal report, the program income must be expended by the end of PY 3. If reported on PY 3's fiscal report, the program income must be expended by the end of PY 4.

The cash-on-hand from program income must be liquidated before requesting additional cash.

Allowable expenditures for program income are the same as those for the original award. The administrative cost limit does not apply to program income. The administrative cost limit for the program is calculated based on the total allocation or grant amount, not on the amount available for expenditure that includes program income.

ACTION:

Bring this directive to the attention of all affected staff, subrecipients, and subgrantees.

INQUIRIES:

Please direct inquiries about this directive to your assigned [Program Manager](#) at (916) 654-7799.

/S/ JIM CURTIS
Chief